

# Q1 2017



# City of Upland Sales Tax *Update*

*Second Quarter Receipts for First Quarter Sales (January - March 2017)*

## Upland In Brief

Upland's receipts from January through March were 3.0% above 2016's first quarter results.

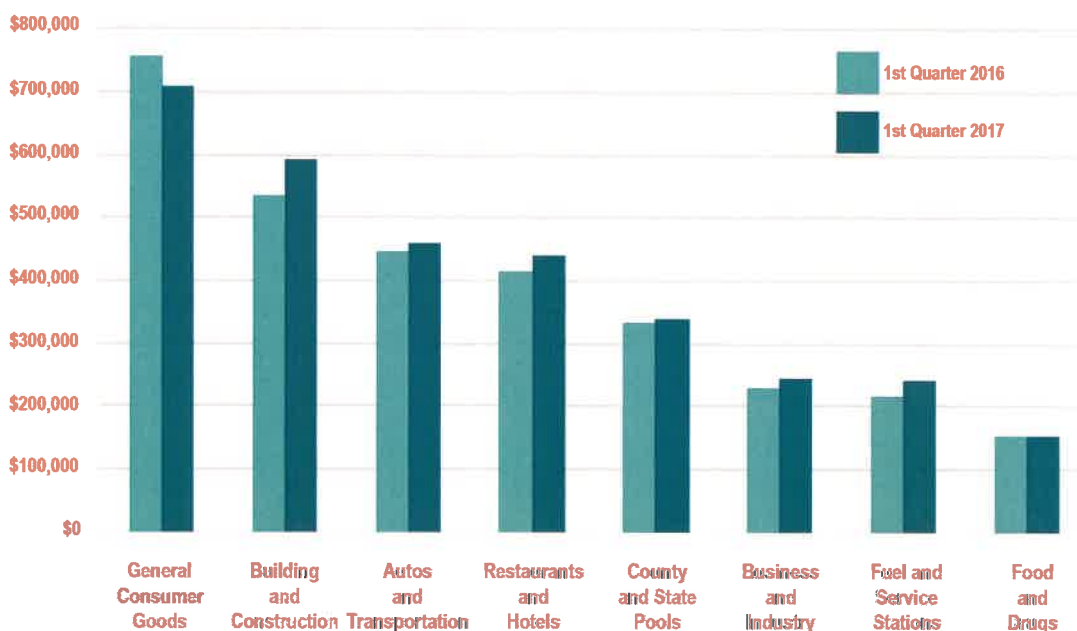
All major industry groups except general consumer goods were up; the City's allocation from the county-wide use tax pool was unchanged.

In dollar terms, gains in the building and construction group outpaced all others this quarter. Building materials sellers did well and bested regional and statewide trends. Restaurant and hotel receipts benefited from several new business additions whereas one-time use tax payments boosted business and industry totals. Higher prices at the pump lifted fuel and service station receipts. A plentiful supply of used cars was reflected in increased used car sales. Food and drug proceeds were steady.

Multiple business segments in the general consumer goods group declined compared to year-ago results. Business closeouts were a contributing factor.

Net of aberrations, taxable sales for all of San Bernardino County declined 0.3% over the like period one year earlier; the Southern California region was up 2.0%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Mountain View Chevrolet
AT&T	
Bed Bath & Beyond	Nordstrom Rack
Chevron	RV Spa
Circle K	Stater Bros
Dick's Sporting Goods	Stellar Industrial Supply
Ford of Upland	Sweeper Shop
Holliday Rock	Target
Home Depot	TJ Maxx
Kohls	USA Gasoline
Lowe's	Verizon Wireless
Marshalls	Vons Gas
Matheus Lumber Co.	Walmart

## REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$11,708,688	\$11,953,665
County Pool	1,364,627	1,453,208
State Pool	8,096	9,100
Gross Receipts	\$13,081,411	\$13,415,973
Less Triple Flip*	\$(2,497,244)	\$0

\*Reimbursed from county compensation fund

## Statewide Results

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

## New Sales Tax Organization

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

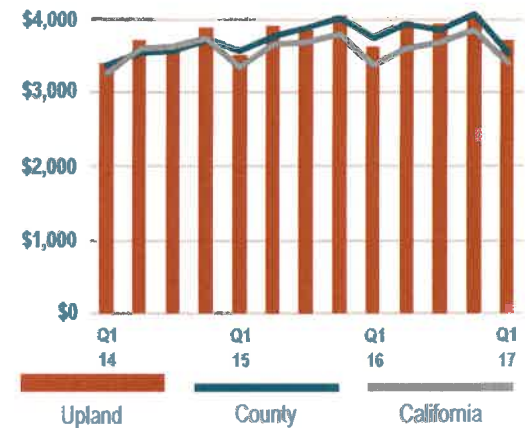
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

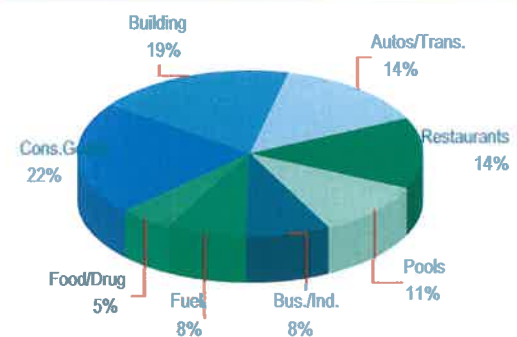
For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

## SALES PER CAPITA



## REVENUE BY BUSINESS GROUP

Upland This Quarter



## UPLAND TOP 15 BUSINESS TYPES

Business Type	Upland		County		HdL State
	Q1 '17*	Change	Change	Change	Change
Auto Repair Shops	52.7	7.1%	6.7%	5.1%	
Building Materials	347.4	6.1%	3.6%	3.1%	
Casual Dining	172.1	8.6%	3.6%	0.5%	
Contractors	— CONFIDENTIAL —		-5.6%	-3.9%	
Department Stores	64.4	-22.9%	-5.9%	-6.5%	
Discount Dept Stores	— CONFIDENTIAL —		-2.0%	1.6%	
Electronics/Appliance Stores	69.2	-7.7%	9.0%	-0.3%	
Fast-Casual Restaurants	55.0	8.3%	4.4%	9.2%	
Grocery Stores	77.6	10.4%	0.7%	0.5%	
Light Industrial/Printers	61.8	21.4%	3.8%	7.4%	
New Motor Vehicle Dealers	290.1	-3.0%	3.0%	4.4%	
Quick-Service Restaurants	195.9	2.3%	5.3%	4.6%	
Service Stations	241.6	12.0%	13.9%	10.0%	
Specialty Stores	114.3	-2.3%	1.5%	0.1%	
Sporting Goods/Bike Stores	54.3	-14.7%	-18.0%	-13.8%	
<b>Total All Accounts</b>	<b>2,846.5</b>	<b>3.2%</b>	<b>-4.3%</b>	<b>1.8%</b>	
<b>County &amp; State Pool Allocation</b>	<b>339.6</b>	<b>1.5%</b>	<b>-5.8%</b>	<b>2.9%</b>	
<b>Gross Receipts</b>	<b>3,186.0</b>	<b>3.0%</b>	<b>-4.4%</b>	<b>1.9%</b>	